

SENATE BILL REPORT

2SHB 1401

As Reported By Senate Committee On:
Consumer Protection & Housing, March 27, 2007
Ways & Means, April 2, 2007

Title: An act relating to land acquisition for affordable housing development.

Brief Description: Regarding the acquisition of land for affordable housing.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Pettigrew, Springer, Dunn, McCune, Miloscia, Chase and Santos).

Brief History: Passed House: 3/10/07, 96-1.

Committee Activity: Consumer Protection & Housing: 3/22/07, 3/27/07 [DP-WM].
Ways & Means: 4/02/07 [DP, w/oRec].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer, McCaslin and Tom.

Staff: Alison Mendiola (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Zarelli, Ranking Minority Member.

Staff: Brian Sims (786-7431)

Background: The Department of Community, Trade and Economic Development (CTED) provides financial assistance to housing projects for low-income persons through its Housing Trust Fund Loan and Grant Program. Eligible activities for Housing Trust Fund assistance include new construction and rehabilitation, rent subsidies, housing-related social services, shelters, acquisition of low income housing units, and down payment assistance. There exists a

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formal process by which eligible organizations may apply for funding. Application periods of at least 90 days duration are announced as often as the CTED deems appropriate (currently twice a year) and applications are accepted and evaluated only during those periods of time. The review process evaluates the merits of a proposal based on need, readiness, capacity of the organization, and the proposed project impact. The review process takes approximately 12 weeks.

Some low-income housing developers find that this process is not conducive to purchasing land in a timely manner within the private market.

Summary of Second Substitute Bill: The Affordable Housing Land Acquisition Program is created within the CTED for the purpose of implementing and managing a revolving loan fund for land acquisition for affordable housing and associated facility development. Loan interest rates may not exceed 1 percent. Housing must be maintained as affordable for 30 years. In addition to a proposed affordable housing development plan required as part of the loan application process, loan recipients must present a more detailed development plan within five years of loan receipt and must place housing into service within eight years of loan receipt. The CTED will contract with the Washington State Housing Finance Commission (HFC) to implement and manage the program. The revolving loan fund will reside with the HFC and all receipts from loan payments and penalties will be remitted to this fund.

Penalty for Non-Compliance: If a housing development does not comply with the requirements of the program, a penalty is imposed which consists of the principal of the loan plus compounded interest calculated at the current market rate at the time the loan was made. The market rate will be determined by the HFC and must be noted in the loan documents.

Program Reporting: The HFC will report annually on the results of the program to the CTED and the Legislature using performance measurement data.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Consumer Protection & Housing): PRO: This program would provide another tool for housing developers to secure land for development which is a critical issue in high cost areas. Land acquisition is one of the biggest challenges in affordable housing development.

Persons Testifying (Consumer Protection & Housing): PRO: Maureen Howard, Habitat for Humanity.

Staff Summary of Public Testimony (Ways & Means): PRO: Land cost is one of the fastest growing expenses for the development of affordable housing. It is difficult to acquire land with the bridge loans that are currently available. This program will create a land banking program for affordable housing. The only assistance currently available is bridge loans, but they require immediate development of the property, which is not always possible.

Persons Testifying (Ways & Means): PRO: Kim Herman, Washington State Housing Finance Commission.